



March 18, 2003

ENGROSSED HOUSE BILL No. 1789

DIGEST OF HB 1789 (Updated March 17, 2003 11:55 AM - DI 75)

Citations Affected: IC 4-4; IC 4-12; IC 6-1.1; IC 6-2.5; IC 6-3.1; IC 20-1; IC 22-4; IC 22-4.1; noncode.

Synopsis: Indiana technology talent fund. Creates the state technology advancement and retention (STAR) account to advance technology and retain graduates in Indiana. Provides for a tax on the sale of tangible personal property by vending machine operators and uses the proceeds of the tax to fund STAR beginning in 2004. Requires a vending machine owner to place an identification sticker on the face of a vending machine. Provides that, if an owner intentionally fails to display an identification sticker on a vending machine, the department of state revenue ("department") may: (1) seize and confiscate the vending machine; and (2) fine the owner not less than \$1,000 and not more than \$2,000. Requires vending machine operators and owners to register with the department. Programs involved include school to work tax credit, internship tax credit, funding for the statewide partnership fund, technology grants, minority training grants, apprenticeship grants, back home in Indiana grants, scientific instrument project, clean manufacturing income tax credit, clean coal technology research center, grants for the smart Indiana school smart partnership; and funding for the operations of the minority epidemiology resource center within the Indiana minority health coalition.

Effective: January 1, 2003 (retroactive); upon passage; July 1, 2003.

Hasler, Austin, Murphy, Dvorak

(SENATE SPONSORS — FORD, WEATHERWAX, BRODEN, MRVAN)

January 21, 2003, read first time and referred to Committee on Technology, Research and Development.

February 17, 2003, amended, reported — Do Pass. Recommended to Committee on Ways and Means.

February 26, 2003, amended, reported — Do Pass.

March 3, 2003, read second time, ordered engrossed. Engrossed.

March 4, 2003, read third time, passed. Yeas 67, nays 27.

SENATE ACTION

March 10, 2003, read first time and referred to Committee on Economic Development and Technology.

March 17, 2003, reported favorably — Do Pass; reassigned to Committee on Finance.

EH 1789—LS 7143/DI 14+



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March 18, 2003

First Regular Session 113th General Assembly (2003)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2002 Regular or Special Session of the General Assembly.

ENGROSSED HOUSE BILL No. 1789

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 4-4-30-8, AS ADDED BY P.L.159-2002,
2 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2003]: Sec. 8. (a) The coal technology research fund is
4 established to provide money for the center for coal technology
5 research and for the director to carry out the duties specified under this
6 chapter. The budget agency shall administer the fund.
7 (b) The fund consists of the following:
8 (1) Money appropriated **or otherwise designated** by the general
9 assembly.
10 (2) Gifts, grants, and bequests.
11 (c) The treasurer of state shall invest the money in the fund not
12 currently needed to meet the obligations of the fund in the same
13 manner as the treasurer may invest other public funds.
14 (d) Money in the fund at the end of a state fiscal year does not revert
15 to the state general fund.
16 SECTION 2. IC 4-12-10-3, AS ADDED BY P.L.26-2001,
17 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

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JULY 1, 2003]: Sec. 3. (a) The Indiana economic development partnership fund is established to provide grants for economic development initiatives that support the following:

(1) The establishment of regional technology **and entrepreneurship** centers for the creation of high technology companies **to support access to technology for existing businesses** and for the support of workforce development.

(2) The providing of leadership and technical support necessary for the centers' start-up operations and long term success.

(3) The expansion of the Purdue Technical Assistance Program **to other higher education institutions** in ten (10) geographic regions of Indiana.

(4) The creation of a rural/community economic development regional outreach program by Purdue University.

(5) The expansion of workforce development for high technology business development through the centers.

(b) The fund shall be administered by the budget agency. The fund consists of appropriations from the general assembly and gifts and grants to the fund.

(c) **In addition to other appropriations, the fund shall receive twenty-five percent (25%) of the balance in the state technology advancement and retention account established by IC 4-12-11-1.**

(d) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public funds may be invested.

~~(d)~~ (e) The money in the fund at the end of a state fiscal year does not revert to the state general fund but remains in the fund to be used exclusively for the purposes of this chapter.

(f) **Money deposited in the fund under subsection (c) shall be distributed as follows:**

(1) **Fifty percent (50%) for grants under subsection (a)(1).**

(2) **Ten percent (10%) for grants under subsection (a)(2).**

(3) **Twenty percent (20%) for grants under subsection (a)(3).**

(4) **Ten percent (10%) for grants under subsection (a)(4).**

(5) **Ten percent (10%) for grants under subsection (a)(5).**

SECTION 3. IC 4-12-10-4, AS ADDED BY P.L.26-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 4. (a) The budget agency, after review by the budget committee, shall **enter into an agreement with the department of commerce** to do the following:

(1) Review, prioritize, and approve or disapprove proposals for centers.



- (2) Create detailed application procedures and selection criteria for center proposals. These criteria may include the following:
 - (A) Geographical proximity to and partnership agreement with an Indiana public or private university.
 - (B) Proposed local contributions to the center.
 - (C) Minimum standards and features for the physical facilities of a center, including telecommunications infrastructure.
 - (D) The minimum support services, both technical and financial, that must be provided by the centers.
 - (E) Guidelines for selecting entities that may participate in the center.
- (3) Develop performance measures and reporting requirements for the centers.
- (4) Monitor the effectiveness of each center and report its findings to the governor, **the budget agency**, and the budget committee before October 1 of each even-numbered year.
- ~~(5) Contract with Purdue University for any staff support necessary for the budget agency to carry out this chapter.~~
- ~~(6)~~ (5) Approve a regional technology center only if the center agrees to do all of the following:
 - (A) Nurture the development and expansion of high technology ventures that have the potential to become high growth businesses.
 - (B) Increase high technology employment in Indiana.
 - (C) Stimulate the flow of new venture capital necessary to support the growth of high technology businesses in Indiana.
 - (D) Expand workforce education and training for highly skilled, high technology jobs.
 - (E) Affiliate with an Indiana public or private university and be located in close proximity to a university campus.
 - (F) Be a party to a written agreement among:
 - (i) the affiliated university;
 - (ii) the city or town in which the proposed center is located, or the county in which the proposed center is located if the center is not located in a city or town;
 - (iii) Purdue University, for technical and personnel training support; and
 - (iv) any other affiliated entities;
 that outlines the responsibilities of each party.
 - (G) Establish a debt free physical structure designed to accommodate research and technology ventures.
 - (H) Provide support services, including business planning,

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management recruitment, legal services, securing of seed capital marketing, and mentor identification.

(I) Establish a commitment of local resources that is at least equal to the money provided from the fund for the physical facilities of the center.

(b) The ~~budget agency~~ **department of commerce** may not approve more than five (5) regional technology centers in any biennium.

(c) The budget agency shall contract with Purdue University:

(1) for any support staff necessary for the budget agency to provide grants under section 3(a)(3) and 3(a)(4) of this chapter; and

(2) to provide services under section 7 of this chapter.

SECTION 4. IC 4-12-10-6, AS ADDED BY P.L.26-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 6. (a) If a center is approved by the ~~budget agency~~, **department of commerce**, the budget agency shall allocate from available appropriations the money authorized to:

(1) subsidize construction or rehabilitation of the physical facilities; and

(2) cover operating costs, not to exceed two hundred fifty thousand dollars (\$250,000) each year, until the center is self-sustaining or has identified another source of operating money or the amount appropriated for this purpose is exhausted.

(b) Operating costs may not be supported by the fund for any center for more than four (4) years.

SECTION 5. IC 4-12-11 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: **Chapter 11. State Technology Advancement and Retention (STAR) Account**

Sec. 1. The state technology advancement and retention (STAR) account is established within the state general fund. The purpose of the account is to provide funding for programs within Indiana that:

(1) are designed to advance and retain technology related enterprises within Indiana; and

(2) are designed to train and retain students with an emphasis on technology.

Sec. 2. The STAR account shall be administered by the budget agency.

Sec. 3. The account consists of the money designated under IC 6-2.5-7.5-11 and transfers made in compliance with section 6 of this chapter.



1 **Sec. 4.** The treasurer of state shall invest the money in the
 2 account not currently needed to meet the obligations of the account
 3 in the same manner as other public funds may be invested.

4 **Sec. 5.** Money in the account at the end of a state fiscal year does
 5 not revert to the state general fund but remains in the account to
 6 be used for the purposes of this chapter.

7 **Sec. 6.** Money in the account is annually dedicated in the
 8 following percentages:

9 (1) Twenty percent (20%) to fund the certified school to
 10 career program payroll credit under IC 6-3.1-27 and
 11 IC 22-4.1-8.

12 (2) Seven percent (7%) to fund the certified internship
 13 program payroll credit under 6-3.1-25 and IC 22-4.1-7.

14 (3) Twenty-five percent (25%) to fund the Indiana economic
 15 development partnership fund under IC 4-12-10.

16 (4) Seven percent (7%) for minority training program grants
 17 under IC 22-4-18.1-11.

18 (5) Six percent (6%) for technology apprenticeship grants
 19 under IC 20-1-18.7.

20 (6) Ten percent (10%) for the back home in Indiana program
 21 under IC 22-4-18.1-12.

22 (7) Five percent (5%) for the Indiana schools smart
 23 partnership under IC 22-4.1-9.

24 (8) Five percent (5%) to fund the scientific instrument project
 25 within the department of education.

26 (9) Three percent (3%) to fund the clean manufacturing
 27 income tax credit under IC 6-3.1-28.

28 (10) Two percent (2%) to fund the coal technology research
 29 fund under IC 4-4-30-8.

30 (11) Ten percent (10%) to fund the operational expenses of
 31 the minority epidemiology resource center within the Indiana
 32 minority health coalition. Money dedicated under this
 33 subdivision must be used to do the following:

34 (A) Research and provide health data concerning minority
 35 populations in Indiana.

36 (B) Provide technical assistance to the state department of
 37 health and the office of the secretary of family and social
 38 services to:

39 (i) address the elimination of health disparities among
 40 minorities; and

41 (ii) evaluate health programs focused on minorities.

42 **Sec. 7.** Expenses for:



1 (1) administering the account; and
 2 (2) administering any of the programs funded from the
 3 account;
 4 may be taken from the account but may not exceed two percent
 5 (2%). Administrative expenses taken from the account must be
 6 approved by the budget agency.

7 SECTION 6. IC 6-1.1-3-8 IS AMENDED TO READ AS
 8 FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 8. (a) The owner of a
 9 vending machine shall place on the face of the machine an
 10 ~~identification~~ **identification** device ~~which that~~:

11 (1) is at least two (2) inches by three (3) inches; and

12 (2) accurately reveals the **following information**:

13 (A) The owner's name and address. ~~and he~~

14 (B) The following information about the retail merchant
 15 who is liable for collecting state gross retail tax on the sale
 16 of tangible personal property through the vending
 17 machine:

18 (i) Name.

19 (ii) An identifier designated by the department that is
 20 unique to the retail merchant. An identifier under this
 21 item includes a universal product code (UPC).

22 (iii) Telephone number.

23 (iv) All the retail merchant's certificate numbers.

24 (b) The owner shall include the vending machine in his the
 25 owner's annual personal property return.

26 ~~(b)~~ (c) If an owner intentionally fails to display an identification
 27 device on a vending machine under this section, the department of
 28 state revenue may do either or both of the following:

29 (1) Seize and confiscate the vending machine.

30 (2) Impose a civil penalty of not less than one thousand dollars
 31 (\$1,000) and not more than two thousand dollars (\$2,000).

32 Each vending machine on which an owner intentionally fails to
 33 display an identification device constitutes a separate offense for
 34 purposes of this subsection.

35 (d) For purposes of this section, the term "vending machine" means
 36 a machine which dispenses goods, wares, or merchandise when a coin
 37 is deposited in it and which by automatic action can physically deliver
 38 goods, wares, or merchandise to the depositor of the coin: **has the**
 39 **meaning set forth in IC 6-2.5-7.5-4.**

40 SECTION 7. IC 6-2.5-6-7, AS AMENDED BY P.L.192-2002(ss),
 41 SECTION 60, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 42 JANUARY 1, 2003 (RETROACTIVE)]: Sec. 7. Except as otherwise



provided in IC 6-2.5-7, **IC 6-2.5-7.5**, or ~~in~~ this chapter, a retail merchant shall pay to the department, for a particular reporting period, an amount equal to the product of:

- (1) six percent (6%); multiplied by
- (2) the retail merchant's total gross retail income from taxable transactions made during the reporting period.

The amount determined under this section is the retail merchant's state gross retail and use tax liability regardless of the amount of tax he actually collects.

SECTION 8. IC 6-2.5-6-10, AS AMENDED BY P.L.192-2002(ss), SECTION 62, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 10. (a) In order to compensate retail merchants for collecting and timely remitting the state gross retail tax and the state use tax, every retail merchant, except a retail merchant referred to in subsection (c), is entitled to deduct and retain from the amount of those taxes otherwise required to be remitted under IC 6-2.5-7-5, **IC 6-2.5-7.5-7**, or ~~under~~ this chapter, if timely remitted, a retail merchant's collection allowance.

(b) The allowance equals eighty-three hundredths percent (0.83%) of the retail merchant's state gross retail and use tax liability accrued during a reporting period.

(c) A retail merchant described in IC 6-2.5-4-5 or IC 6-2.5-4-6 is not entitled to the allowance provided by this section.

SECTION 9. IC 6-2.5-7.5 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]:

Chapter 7.5. Collection and Remittance of State Gross Retail Tax on Vending Machine Items

Sec. 1. This chapter applies only to retail transactions involving tangible personal property, other than:

- (1) cigarettes (as defined in IC 6-7-1-2); or
- (2) cigars and other tobacco products (as defined in IC 6-7-2-5);

acquired for resale from a vending machine or sold from a vending machine.

Sec. 2. As used in this chapter, "gross receipts" means the product of:

- (1) the net invoice price paid during a reporting period by a vending machine operator; multiplied by
- (2) one hundred fifty percent (150%).

Sec. 3. As used in this chapter, "net invoice price" means the difference between:



(1) the cost, including freight, of tangible personal property acquired for resale from a vending machine or sold from a vending machine; minus

(2) any timely payment discount.

Sec. 4. As used in this chapter, "vending machine" means a mechanical or electronic device or a receptacle designed to:

(1) receive a coin or currency; and

(2) dispense tangible personal property in return for the insertion or deposit of the coin or currency.

Sec. 5. As used in this chapter, "vending machine operator" means a retail merchant who is liable for collecting state gross retail tax on the sale of tangible personal property through a vending machine.

Sec. 6. This chapter applies to taxable years beginning after December 31, 2003.

Sec. 7. A vending machine operator shall pay to the department the state gross retail tax collectible from retail transactions involving the sale of tangible personal property through a vending machine.

Sec. 8. The amount that a vending machine operator shall pay to the department for a particular reporting period is the amount equal to the product of:

(1) six percent (6%); multiplied by

(2) the gross receipts of the vending machine operator for the reporting period.

Sec. 9. The amount determined under section 8 of this chapter is a vending machine operator's state gross retail tax liability regardless of the amount of state gross retail tax the vending machine operator actually collects.

Sec. 10. No allowance for spoiled, damaged, or otherwise unsold tangible personal property shall be allowed against a vending machine operator's state gross retail tax liability, other than for returns by the vending machine operator to the distributor that are evidenced by an invoice credit or other written indication that the distributor has received the tangible personal property and credited or refunded the amount of the gross receipts paid or payable for the tangible personal property.

Sec. 11. The department shall account for all state gross retail taxes that are prepaid under this chapter as follows:

(1) Beginning July 1, 2004, the department shall designate an amount equal to the lesser of twenty million dollars (\$20,000,000) or the difference between:



(A) the amount paid during a reporting period under this chapter; minus

(B) the product of:

(i) the gross retail income received by a vending machine operator from retail transactions involving the sale of tangible personal property through a vending machine during the same reporting period in the calendar year beginning January 1, 2002, and ending December 31, 2002, multiplied by six percent (6%); multiplied by

(ii) the most current inflation adjustment factor, as determined by the Consumer Price Index for all Urban Consumers, as published by the United States Bureau of Labor Statistics;

to the state technology advancement and retention account under IC 4-12-11-1.

(2) The department shall deposit the remainder according to IC 6-2.5-10-1.

Sec. 12. A vending machine operator shall file a return for each reporting period and pay the state gross retail tax liability for that reporting period in the manner and on a form prescribed by the department.

Sec. 13. A distributor that knowingly sells or otherwise distributes tangible personal property to one (1) or more vending machine operators during a reporting period shall submit a report concerning the transactions for the period to the department in the manner and on a form prescribed by the department. A report under this section must include the following:

(1) The total gross retail income received from each vending machine operator during the reporting period.

(2) The retail merchant certificate number of each vending machine operator to whom the distributor sold or otherwise distributed tangible person property during the reporting period.

(3) Any other information the department reasonably requires.

Sec. 14. The department may adopt rules under IC 4-22-2 to implement this chapter.

SECTION 10. IC 6-2.5-8-12 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 12.** (a) This section applies to a person that owns or operates a vending machine (as defined in IC 6-2.5-7.5-4).

(b) Not later than August 15 of each year, each person shall



submit the following information to the department on a form prescribed by the department:

- (1) The person's name.
- (2) The person's business address.
- (3) The person's business telephone number.
- (4) All Indiana addresses at which the person maintains business offices.
- (5) If the person is a corporation or other business entity, the name of an officer or director on whom legal process may be served.
- (6) An approximate number of the person's vending machines that are owned or operated in Indiana.
- (7) The name of all retail merchants who are liable for collecting state gross retail tax on the sale of tangible personal property through the person's vending machines.
- (8) Any other information the department determines is necessary.

SECTION 11. IC 6-3.1-25 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]:

Chapter 25. Certified Internship Program Payroll Credit

Sec. 1. As used in this chapter, "certified internship program" has the meaning set forth in IC 22-4.1-7-1.

Sec. 2. As used in this chapter, "department" has the meaning set forth in IC 6-3-1-4.

Sec. 3. As used in this chapter, "employer" means any individual or type of organization, including the state and all its political subdivisions, that has in its employ at least one (1) individual, not including any students employed through a certified internship program under IC 22-4.1-7.

Sec. 4. As used in this chapter, "pass through entity" means:

- (1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
- (2) a partnership;
- (3) a limited liability company; or
- (4) a limited liability partnership.

Sec. 5. As used in this chapter, "payroll expenditures" means the wages actually paid by an employer to a student participating in a certified internship program under IC 22-4.1-7.

Sec. 6. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-3-1 through IC 6-3-7 (adjusted gross income tax);



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1 (2) IC 6-5.5 (financial institutions tax); and
 2 (3) IC 27-1-18-2 (insurance premiums tax);
 3 as computed after the application of the credits that under
 4 IC 6-3.1-1-2 are to be applied before the credit provided by this
 5 chapter.

6 Sec. 7. As used in this chapter, "student" has the meaning set
 7 forth in IC 22-4.1-7-4.

8 Sec. 8. As used in this chapter, "taxpayer" means an employer
 9 that employs at least one (1) student through a certified internship
 10 program under IC 22-4.1-7.

11 Sec. 9. (a) This chapter applies to taxable years beginning after
 12 December 31, 2004.

13 (b) A taxpayer is entitled to a credit against the taxpayer's state
 14 tax liability for the payroll expenditures paid by the taxpayer in the
 15 taxable year. To be eligible for the credit provided by this section,
 16 a taxpayer's payroll expenditures must have been made to a
 17 student participating in an internship program that was certified
 18 under IC 22-4.1-7 not later than the last day of the year
 19 immediately preceding the taxable year for which the taxpayer
 20 claims the credit.

21 (c) Subject to the limitations under section 13 of this chapter,
 22 the amount of the credit is equal to the total of the taxpayer's
 23 payroll expenditures that are eligible for the credit under
 24 subsection (b) in the taxable year multiplied by twenty percent
 25 (20%).

26 Sec. 10. (a) If the amount determined under section 9(c) of this
 27 chapter for a taxpayer in a taxable year exceeds the taxpayer's
 28 state tax liability for that taxable year, the taxpayer may carry the
 29 excess over to the following taxable years. The amount of the credit
 30 carryover from a taxable year shall be reduced to the extent that
 31 the carryover is used by the taxpayer to obtain a credit under this
 32 chapter for any subsequent taxable year. A taxpayer is not entitled
 33 to a carryback.

34 (b) A taxpayer is entitled to a refund of any unused credit.

35 Sec. 11. If a pass through entity does not have state income tax
 36 liability against which the tax credit may be applied, a shareholder,
 37 partner, or member of the pass through entity is entitled to a tax
 38 credit equal to:

39 (1) the tax credit determined for the pass through entity for
 40 the taxable year; multiplied by

41 (2) the percentage of the pass through entity's distributive
 42 income to which the shareholder, partner, or member is



entitled.

Sec. 12. To receive the credit provided by this chapter, a taxpayer must claim the credit on the taxpayer's state tax return in the manner prescribed by the department. The taxpayer must submit to the department proof of payment of the payroll expenditures and all information that the department determines is necessary for the calculation of the credit provided by this chapter.

Sec. 13. The department shall record the time of filing of each application for allowance of a credit under section 12 of this chapter and shall approve the applications if the applicant otherwise qualifies for a tax credit under this chapter in the chronological order in which the applications are filed. However, the department may not approve any application in a state fiscal year if the total amount of allowable credits approved in the fiscal year exceeds seven percent (7%) of the amount in the state technology advancement and retention account established in IC 4-12-11-1. However, if an applicant for whom a credit has been approved fails to file the statement of proof of payment required under section 12 of this chapter, an amount equal to the credit previously allowed or set aside for the applicant may be allowed to any subsequent applicant in the year. In addition, the department may, if the applicant requests, approve a credit application, in whole or in part, with respect to the next succeeding state fiscal year.

SECTION 12. IC 6-3.1-27 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]:

Chapter 27. Certified School to Career Program Payroll Credit

Sec. 1. As used in this chapter, "certified program" has the meaning set forth in IC 22-4.1-8-1.

Sec. 2. As used in this chapter, "participant" has the meaning set forth in IC 22-4.1-8-3.

Sec. 3. As used in this chapter, "pass through entity" means:

- (1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
- (2) a partnership;
- (3) a limited liability company; or
- (4) a limited liability partnership.

Sec. 4. As used in this chapter, "payroll expenditures" means the base wages actually paid by an employer to a participant in a certified program plus the amount held in trust to be applied



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1 toward the participant's postsecondary education.

2 Sec. 5. As used in this chapter, "state tax liability" means a
3 taxpayer's total tax liability that is incurred under:

- 4 (1) IC 6-3-1 through IC 6-3-7 (adjusted gross income tax);
- 5 (2) IC 6-5.5 (financial institutions tax); and
- 6 (3) IC 27-1-18-2 (insurance premiums tax);

7 as computed after the application of the credits that under
8 IC 6-3.1-1-2 are to be applied before the credit provided by this
9 chapter.

10 Sec. 6. (a) A taxpayer is entitled to a credit against the
11 taxpayer's state tax liability for the payroll expenditures (as
12 defined in section 4 of this chapter) made by the taxpayer in a state
13 fiscal year.

14 (b) Subject to the limitations under subsection (c) and section 10
15 of this chapter, the amount of the credit is equal to the taxpayer's
16 payroll expenditures in the state fiscal year for a participant
17 multiplied by twenty percent (20%).

18 (c) The credit is limited to the first four hundred (400) hours of
19 payroll expenditures per participant for each state fiscal year the
20 participant is in the certified program, not to exceed three (3) years
21 per participant.

22 Sec. 7. (a) If the amount determined under section 6(b) of this
23 chapter for a taxpayer in a state fiscal year exceeds the taxpayer's
24 state tax liability for the taxable year for which the taxpayer files
25 a return claiming the credit allowed under this chapter, the
26 taxpayer may carry the excess over to the following taxable years.
27 The amount of the credit carryover from a taxable year shall be
28 reduced to the extent that the carryover is used by the taxpayer to
29 obtain a credit under this chapter for any subsequent taxable year.
30 A taxpayer is not entitled to a carryback.

31 (b) A taxpayer is not entitled to a refund of any unused credit.

32 Sec. 8. If a pass through entity does not have state income tax
33 liability against which the tax credit may be applied, a shareholder,
34 member, or partner of the pass through entity is entitled to a tax
35 credit equal to:

- 36 (1) the tax credit determined for the pass through entity for
37 the taxable year; multiplied by
- 38 (2) the percentage of the pass through entity's distributive
39 income to which the shareholder, member, or partner is
40 entitled.

41 Sec. 9. To receive a credit under this chapter, a taxpayer must
42 submit an application to the department before September 1. The

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1 application must contain proof of payment of the payroll
 2 expenditures in the preceding state fiscal year and all information
 3 that the department determines is necessary for the calculation of
 4 the credit provided by this chapter.

5 Sec. 10. (a) The department shall record the time of filing of
 6 each application for allowance of a credit under section 9 of this
 7 chapter and shall approve the applications if the applicant
 8 otherwise qualifies for a tax credit under this chapter in the
 9 chronological order in which the applications are filed. The
 10 department shall notify each applicant before December 1 of the
 11 department's approval or disapproval of the applicant's
 12 application.

13 (b) When the total credits approved under this section equal the
 14 maximum amount allowable in a state fiscal year, no application
 15 filed later for that same fiscal year shall be approved. However, if
 16 an applicant for whom a credit has been approved fails to claim a
 17 credit on the taxpayer's tax return as required under section 11 of
 18 this chapter, an amount equal to the credit previously allowed or
 19 set aside for the applicant may be allowed to any subsequent
 20 applicant in the year.

21 Sec. 11. A taxpayer whose application is approved under section
 22 10 of this chapter must claim the credit on the taxpayer's annual
 23 state tax return in the manner prescribed by the department.

24 Sec. 12. The credit provided by this chapter applies to payroll
 25 expenditures made in a state fiscal year beginning after June 30,
 26 2004.

27 Sec. 13. The total amount of tax credits approved under this
 28 chapter in a state fiscal year may not exceed twenty percent (20%)
 29 of the amount in the state technology advancement and retention
 30 account established by IC 4-12-11-1.

31 SECTION 13. IC 6-3.1-28 IS ADDED TO THE INDIANA CODE
 32 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 33 JULY 1, 2003]:

34 **Chapter 28. Clean Manufacturing Income Tax Credit**

35 Sec. 1. As used in this chapter, "board" refers to the clean
 36 manufacturing income tax credit board established by section 13
 37 of this chapter.

38 Sec. 2. As used in this chapter, "clean manufacturing" has the
 39 meaning set forth in IC 13-11-2-27.6.

40 Sec. 3. As used in this chapter, "clean manufacturing
 41 investment" means an expenditure for any of the following:

- 42 (1) Production process redesign (as defined in

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1 IC 13-27.5-3-2(2)(C)).

2 (2) Operational improvement (as defined in
3 IC 13-27.5-3-2(2)(D)).

4 Sec. 4. As used in this chapter, "environmental waste" has the
5 meaning set forth in IC 13-11-2-72.

6 Sec. 5. As used in this chapter, "institute" refers to the Indiana
7 clean manufacturing technology and safe materials institute
8 established under IC 13-27.5-2.

9 Sec. 6. As used in this chapter, "manufacturing facility" means
10 a facility of a manufacturer (as defined in IC 13-11-2-126(b)).

11 Sec. 7. As used in this chapter, "material substitution" means:

- 12 (1) an input change (as defined in IC 13-27.5-3-2(2)(A)); or
13 (2) a product reformulation (as defined in
14 IC 13-27.5-3-2(2)(B)).

15 Sec. 8. As used in this chapter, "pass through entity" means:

- 16 (1) a corporation that is exempt from the adjusted gross
17 income tax under IC 6-3-2-2.8(2);
18 (2) a partnership;
19 (3) a limited liability company; or
20 (4) a limited liability partnership.

21 Sec. 9. As used in this chapter, "SIC manual" has the meaning
22 set forth in IC 6-3.1-10-2.5.

23 Sec. 10. As used in this chapter, "state tax liability" means the
24 taxpayer's total tax liability that is incurred under IC 6-3-1
25 through IC 6-3-7 (the adjusted gross income tax) as computed after
26 the application of the credits that under IC 6-3.1-1-2 are to be
27 applied before the credit provided by this chapter.

28 Sec. 11. As used in this chapter, "taxpayer" means any
29 individual, corporation, limited liability company, partnership, or
30 other entity that:

- 31 (1) has any state tax liability; and
32 (2) operates at least one (1) manufacturing facility in Indiana
33 under standard industrial classification codes 20 through 39
34 in the SIC manual.

35 Sec. 12. (a) As used in this chapter, "toxic material" has the
36 meaning set forth in IC 13-11-2-233.

37 (b) For purposes of this chapter, the list of toxic materials may
38 be updated periodically by the institute in consultation with the
39 commissioner of the department of environmental management
40 based on information provided by:

- 41 (1) the United States Environmental Protection Agency;
42 (2) a professional industrial hygiene association; or



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(3) the United States Occupational Safety and Health Administration.

Sec. 13. (a) The clean manufacturing income tax credit board is established. The board consists of the following six (6) members:

(1) The director of the institute or the director's designee.

(2) The commissioner of the department of environmental management or the commissioner's designee.

(3) The director of the department of commerce or the director's designee.

(4) The director of the budget agency or the director's designee.

(5) The commissioner of the department of state revenue or the commissioner's designee.

(6) The chairperson of the clean manufacturing technology board or the chairperson's designee.

(b) The director of the department of commerce or the director's designee shall serve as chairperson of the board. Four (4) members of the board constitute a quorum to transact and vote on the business of the board. The board may take official action upon the affirmative vote of a majority of the members present and voting.

(c) The institute shall assist the board in carrying out the board's duties under this chapter.

(d) Each member of the board is entitled to reimbursement for traveling expenses as provided in IC 4-13-1-4 and other expenses actually incurred in connection with the member's duties as provided in the state policies and procedures established by the Indiana department of administration and approved by the budget agency.

Sec. 14. The board may make credit awards under this chapter to foster clean manufacturing at manufacturing facilities in Indiana.

Sec. 15. (a) Subject to the conditions set forth in this chapter, a taxpayer is entitled to a credit against the taxpayer's state tax liability in a taxable year beginning after December 31, 2004, if the taxpayer is awarded a credit by the board under this chapter for the taxable year in which the institute verifies either or both of the following:

(1) A qualified material substitution expense.

(2) A qualified clean manufacturing investment.

(b) Subject to sections 20(5) and 21(8) of this chapter, a credit awarded to a taxpayer under subsection (a) is limited to one (1)



1 qualified material substitution expense and one (1) qualified clean
2 manufacturing investment for each taxable year.

3 (c) The taxpayer must certify that a material substitution
4 expense or a clean manufacturing investment for which a credit is
5 awarded to a taxpayer under subsection (a) is:

6 (1) initiated voluntarily by the taxpayer; and

7 (2) not the result of an enforcement action, a negotiated
8 settlement, or an order of a federal or state agency or court.

9 Sec. 16. (a) The maximum amount of the material substitution
10 expense credit to which a taxpayer is entitled in a taxable year is
11 equal to:

12 (1) the certified additional cost of purchasing a qualified
13 material that is substituted for a toxic material; multiplied by

14 (2) thirty percent (30%).

15 (b) The maximum amount of the clean manufacturing
16 investment credit to which a taxpayer is entitled in a taxable year
17 is equal to the amount determined under STEP THREE of the
18 following formula:

19 STEP ONE: Determine the certified cost of the qualified clean
20 manufacturing investment.

21 STEP TWO: Multiply the STEP ONE amount by thirty
22 percent (30%).

23 STEP THREE: Multiply the STEP TWO result by one (1) of
24 the following, as specified by the taxpayer:

25 (A) The certified percentage by which the use of a toxic
26 material is reduced by means of the clean manufacturing
27 investment.

28 (B) The certified percentage by which the generation of an
29 environmental waste is reduced by means of the clean
30 manufacturing investment.

31 The taxpayer is eligible for the credit in the taxable year in which
32 the production process redesign or operational improvement that
33 forms the basis of the clean manufacturing investment first
34 produces verifiable reductions in the use of toxic materials or the
35 generation of environmental waste.

36 Sec. 17. (a) Except as provided in subsection (b), a taxpayer is
37 not entitled to carry forward, carry back, or a refund of an unused
38 credit.

39 (b) If the amount of a clean manufacturing investment credit or
40 a material substitution expense credit for a taxpayer in a taxable
41 year exceeds the taxpayer's state tax liability for that taxable year,
42 the taxpayer may carry the excess over to not more than two (2)

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1 taxable years. The amount of the credit carryover from a taxable
 2 year shall be reduced to the extent that the carryover is used by the
 3 taxpayer to obtain a credit under this chapter for a subsequent
 4 taxable year.

5 **Sec. 18.** If a pass through entity does not have state income tax
 6 liability against which the tax credit may be applied, a shareholder
 7 or partner of the pass through entity is entitled to a tax credit equal
 8 to:

- 9 (1) the tax credit determined for the pass through entity for
 10 the taxable year; multiplied by
- 11 (2) the percentage of the pass through entity's distributive
 12 income to which the shareholder or partner is entitled.

13 **Sec. 19.** To be entitled to a credit under this chapter, a taxpayer
 14 must do the following:

- 15 (1) Make an expenditure for a qualifying activity.
- 16 (2) Request that the board certify:
 - 17 (A) the eligibility of the taxpayer for the credit;
 - 18 (B) a description of the activity or expense that is eligible
 19 for the credit;
 - 20 (C) the amount of the expenditure that is eligible for the
 21 credit; and
 - 22 (D) for a clean manufacturing investment credit, the
 23 percentage of:
 - 24 (i) environmental waste; or
 - 25 (ii) a toxic material;
- 26 reduced by means of the clean manufacturing investment;
 27 on forms and in the manner provided by this chapter.
- 28 (3) Claim the credit under section 22 of this chapter.
- 29 (4) Be allotted a share of the maximum statewide credit under
 30 section 24 of this chapter.
- 31 (5) Pay the institute an administrative fee established by the
 32 institute.

33 **Sec. 20.** The board shall certify that a taxpayer's expenditure is
 34 a qualified material substitution expense if the board determines
 35 that:

- 36 (1) before making the material substitution, the taxpayer
 37 obtained a verification from the institute that:
 - 38 (A) the material substitution is nontoxic or less toxic than
 39 the toxic material;
 - 40 (B) the expenditure will reduce the use of the toxic material
 41 based on a measurement of the toxicity and amount of the
 42 toxic material reduced per unit of production under



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- IC 13-27.5-2-5(c)(4) and IC 13-27.5-2-7 and in conformity with the guidelines established by the institute; and
- (C) estimates the additional cost the taxpayer will incur to use a substitute material for the toxic material;
- (2) the taxpayer made expenditures for the material substitution;
- (3) the expenditures directly result from the additional costs of substituting a material for a toxic material in a specific production process at a manufacturing facility;
- (4) the taxpayer applies to the board for the credit certification on a form prescribed by the board in consultation with the institute;
- (5) the taxpayer has not received a certification under this section for the same material substitution project;
- (6) the taxpayer pays the institute the administrative fee specified under section 19 of this chapter; and
- (7) the taxpayer provides all information that the board, in consultation with the institute, determines is necessary for:
- (A) the calculation of the qualified material substitution expense credit provided by this chapter; and
- (B) the determination of whether an expenditure is a qualified material substitution expense.

Sec. 21. The board shall certify that a taxpayer's expenditure is a qualified clean manufacturing investment if the board determines that:

- (1) before the taxpayer implements a production process redesign or an operational improvement, the taxpayer obtains a verification from the institute that:
- (A) the expenditure will reduce the use of a toxic material or reduce an environmental waste;
- (B) estimates the percentage of reduction in the use of a toxic material or generation of environmental waste by means of clean manufacturing that will result; and
- (C) estimates the cost the taxpayer will incur to implement production process redesign or operational improvement that will reduce:
- (i) the use of a toxic material; or
- (ii) the generation of an environmental waste.
- based on a measurement of the toxicity and amount of toxic material or environmental waste reduced per unit of production under IC 13-27.5-2-5(c)(4) and IC 13-27.5-2-7 and in conformity with the guidelines set by the institute;



(2) the taxpayer makes expenditures for the clean manufacturing investment;

(3) the expenditures directly result from the production process redesign or operational improvement that:

(A) are directly used in a specific production process at a manufacturing facility; and

(B) reduce by means of a clean manufacturing investment:

(i) the use of a toxic material; or

(ii) the generation of an environmental waste;

as determined under the guidelines developed by the institute, which shall be based on a measurement of the toxicity and amount of toxic material or environmental waste reduced per unit of production under IC 13-27.5-2-5(c)(4) and IC 13-27.5-2-7;

(4) the taxpayer applies to the board for the credit certification on a form prescribed by the board in consultation with the institute after equipment related to the production process redesign or operational improvement at a manufacturing facility has become operational;

(5) the institute verifies the qualified percentage by which the use of a toxic material or by which the generation of an environmental waste has been reduced at an industrial facility by means of a clean manufacturing investment;

(6) the taxpayer pays the institute the administrative fee specified under section 19 of this chapter;

(7) the taxpayer provides all information that the board, in consultation with the institute, determines is necessary for:

(A) the calculation of the clean manufacturing investment credit expense provided by this chapter; and

(B) the determination of whether an expenditure is a qualified clean manufacturing investment; and

(8) the taxpayer has not received a certification under this section for the same clean manufacturing investment.

Sec. 22. A taxpayer claiming a credit under this chapter shall submit to the department of state revenue a copy of the certification of credit by the board under this chapter for the taxable year. However, failure to submit a copy of the certification does not invalidate a claim for credit.

Sec. 23. The board may audit any of the information required under this chapter to claim a credit.

Sec. 24. (a) The amount of a tax credit for a single taxpayer allowed under this chapter may not exceed twelve thousand dollars



1 (\$12,000) in a taxable year.

2 (b) The total amount of tax credits approved under this chapter
3 in a state fiscal year may not exceed three percent (3%) of the
4 amount in the state technology advancement and retention account
5 established by IC 4-12-11-1.

6 (c) The board shall record the time of filing of each application
7 for allowance of a credit under this chapter and shall approve the
8 applications, if the applications otherwise qualify for a tax credit
9 under this chapter, in the chronological order in which the
10 applications are filed in the state fiscal year.

11 (d) When the total credits approved under this section equal the
12 maximum amount allowable in a state fiscal year, an application
13 thereafter filed for that same fiscal year may not be approved.
14 However, if an application is received by the board after the
15 maximum allowable credits have been awarded for the state fiscal
16 year, the board may review the application for credit in a
17 subsequent state fiscal year up to the total maximum amount of the
18 credit allowable. The review of applications for credit in a
19 subsequent state fiscal year shall be made in the order in which the
20 applications are received by the institute.

21 SECTION 14. IC 20-1-18.7 IS ADDED TO THE INDIANA CODE
22 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
23 JULY 1, 2003]: Chapter 18.7. Technology Apprenticeship Grants

24 Sec. 1. As used in this chapter, "department" refers to the
25 department of education established by IC 20-1-1.1-2.

26 Sec. 2. As used in this chapter, "program" refers to the
27 technology apprenticeship grant program established by section 3
28 of this chapter.

29 Sec. 3. The technology apprenticeship grant program is
30 established. The department, with the advice of the department of
31 labor established by IC 22-1-1-1, shall administer the program.

32 Sec. 4. The department, working with the department of labor,
33 shall develop a grant program to provide grants for
34 apprenticeships that are designed to develop the skills of
35 apprentices in the area of technology.

36 Sec. 5. The department, with the department of labor, shall
37 develop standards for the issuance of grants to businesses and
38 unions that are working to enhance the technology skills of
39 apprentices.

40 Sec. 6. The program shall be funded with six percent (6%) of the
41 balance in the state technology advancement and retention account
42 established by IC 4-12-11-1.



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SECTION 15. IC 22-4-18.1-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 3. The state human resource investment council is established pursuant to 29 U.S.C. 1501 et seq. to do the following:

(1) Review the services and use of funds and resources under applicable federal programs and advise the governor on methods of coordinating the services and use of funds and resources consistent with the laws and regulations governing the particular applicable federal programs.

(2) Advise the governor on:

(A) the development and implementation of state and local standards and measures; and

(B) the coordination of the standards and measures; concerning the applicable federal programs.

(3) Perform the duties as set forth in federal law of the particular advisory bodies for applicable federal programs described in section 4 of this chapter.

(4) Identify the human investment needs in Indiana and recommend to the governor goals to meet the investment needs.

(5) Recommend to the governor goals for the development and coordination of the human resource system in Indiana.

(6) Prepare and recommend to the governor a strategic plan to accomplish the goals developed under subdivisions (4) and (5).

(7) Monitor the implementation of and evaluate the effectiveness of the strategic plan described in subdivision (6).

(8) Advise the governor on the coordination of federal, state, and local education and training programs and on the allocation of state and federal funds in Indiana to promote effective services, service delivery, and innovative programs.

(9) Administer the minority training grant program established by section 11 of this chapter.

(10) Administer the back home in Indiana program established by section 12 of this chapter.

(11) Any other function assigned to the council by the governor with regard to the study and evaluation of Indiana's human service delivery system.

SECTION 16. IC 22-4-18.1-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 4. (a) The council shall serve as the state advisory body required under the following federal laws:

(1) The Job Training Partnership Act under 29 U.S.C. 1501 et seq.



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(2) The Wagner-Peyser Act under 29 U.S.C. 49 et seq.

(3) The Carl D. Perkins Vocational and Applied Technology Act under 20 U.S.C. 2301 et seq.

(4) The Adult Education Act under 20 U.S.C. 1201 et seq.

(b) In addition, the council may be designated to serve as the state advisory body required under any of the following federal laws upon approval of the particular state agency directed to administer the particular federal law:

(1) The National and Community Service Act of 1990 under 42 U.S.C. 12501 et seq.

(2) Part F of Title IV of the Social Security Act under 42 U.S.C. 681 et seq.

(3) The employment and training program established under the Food Stamp Act of 1977 under 7 U.S.C. 2015(d)(4).

(c) The council shall administer the minority training grant program established by section 11 of this chapter and the back home in Indiana program established by section 12 of this chapter.

SECTION 17. IC 22-4-18.1-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 7. (a) Except as provided in subsections (b) and (c) and subject to the approval of the commissioner of workforce development, the state personnel department, and the budget agency, the council may employ professional, technical, and clerical personnel necessary to carry out the duties imposed by this chapter from funds available under applicable federal and state programs, appropriations by the general assembly for this purpose, **funds in the state technology advancement and retention account established by IC 4-12-11-1** and any other funds (other than federal funds) available to the council for this purpose.

(b) Subject to the approval of the commissioner of workforce development and the budget agency, the council may contract for services necessary to implement this chapter.

(c) The budget agency shall serve as the fiscal agent for the distribution of all funds of the council.

SECTION 18. IC 22-4-18.1-11 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: **Sec. 11. (a) For purposes of this section, "minority student" means a student who is a member of one (1) or more of the following groups:**

(1) blacks;

(2) American Indians;

(3) Hispanics;



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1 (4) Asian Americans; or

2 (5) other similar racial groups.

3 (b) The council shall develop a program to provide grants for
4 minority training programs for minority students. The grants must
5 be used as follows:

6 (1) Thirty-five percent (35%) for programs designed to
7 enhance training in technology advancement for minority
8 students.

9 (2) Sixty-five percent (65%) for generalized training
10 programs for minority students.

11 (c) The council shall adopt policies under which recipients may
12 apply for and receive the grants.

13 (d) The total amount of grants awarded under this section in a
14 state fiscal year may not exceed seven percent (7%) of the amount
15 in the state technology advancement and retention account
16 established by IC 4-12-11-1.

17 SECTION 19. IC 22-4-18.1-12 IS ADDED TO THE INDIANA
18 CODE AS A NEW SECTION TO READ AS FOLLOWS
19 [EFFECTIVE JULY 1, 2003]: Sec. 12. (a) The council shall develop
20 a program to provide for grants or contracts to develop a back
21 home in Indiana program. The program must provide a system to
22 track students who have graduated from private and public
23 colleges and universities in Indiana. The program must include a
24 means of periodically contacting these graduates to inform them of
25 job opportunities in Indiana.

26 (b) The council shall work with the colleges and universities in
27 Indiana to develop the tracking system.

28 (c) The total amount of grants and contracts awarded under this
29 section in a state fiscal year may not exceed ten percent (10%) of
30 the amount in the state technology advancement and retention
31 account established by IC 4-12-11-1.

32 SECTION 20. IC 22-4.1-7 IS ADDED TO THE INDIANA CODE
33 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
34 UPON PASSAGE]:

35 **Chapter 7. Certified Internship Programs**

36 **Sec. 1.** As used in this chapter, "certified internship program"
37 refers to an internship program that is certified by the department,
38 in consultation with the department of education, under section 5
39 of this chapter.

40 **Sec. 2.** As used in this chapter, "employer" has the meaning set
41 forth in IC 22-8-1.1-1.

42 **Sec. 3.** As used in this chapter, "institution of higher learning"



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1 has the meaning set forth in IC 20-12-70-4.

2 Sec. 4. As used in this chapter, "student" means an individual
3 who is enrolled at an institution of higher learning on at least a
4 part-time basis.

5 Sec. 5. (a) An institution of higher learning that seeks
6 certification for an internship program under this chapter shall
7 submit an application for certification to the department on a form
8 prescribed by the department.

9 (b) The department, in consultation with the department of
10 education, shall certify an internship program under this chapter
11 if the program:

12 (1) is operated or administered by an institution of higher
13 learning or a department, school, or program within an
14 institution of higher learning;

15 (2) integrates a particular curriculum or course of study
16 offered at the institution of higher learning with career
17 internships provided by employers;

18 (3) places students in career internships provided by
19 employers;

20 (4) requires participating students to meet certain academic
21 standards established by rule by the department in
22 consultation with the department of education;

23 (5) requires employers to provide to participating students
24 the:

25 (A) supervision; and

26 (B) payroll and personnel services;

27 that the employers provide to their regular part-time
28 employees, if any;

29 (6) is designed to provide an internship experience that
30 enriches and enhances the classroom experience of
31 participating students;

32 (7) requires employers to comply with all state and federal
33 laws pertaining to the workplace; and

34 (8) complies with any other requirement adopted by rule by
35 the department after consultation with the department of
36 education.

37 Sec. 6. A certified internship program may allow a student to
38 participate in an internship at any time during the year, including
39 the summer, as long as the student remains enrolled at the
40 institution of higher learning that operates or administers the
41 certified internship program.

42 Sec. 7. The department, in consultation with the department of

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education, may adopt rules under IC 4-22-2 to implement this chapter.

SECTION 21. IC 22-4.1-8 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]:

Chapter 8. Certified School to Career Programs

Sec. 1. As used in this chapter, "certified program" means a school to career program approved by the department in conjunction with the department of education that is conducted under an agreement under this chapter and that:

- (1) integrates a secondary school curriculum with private sector job training;
- (2) places students in job internships; and
- (3) is designed to continue into postsecondary education and results in teaching new skills and adding value to the wage earning potential of participants and increasing their long term employability in Indiana.

Sec. 2. As used in this chapter, "institution of higher learning" has the meaning set forth under IC 20-12-70-4.

Sec. 3. As used in this chapter, "participant" means an individual who:

- (1) is at least sixteen (16) years of age and less than twenty-four (24) years of age;
- (2) is enrolled in a public or private secondary or postsecondary school; and
- (3) participates in a certified program as part of the individual's secondary or postsecondary school education.

Sec. 4. As used in this chapter, "sponsor" means an individual, a person, an association, a committee, an organization, or other entity operating a certified program and in whose name the certified program is registered or approved.

Sec. 5. (a) The department shall do the following:

- (1) Accept applications from entities interested in sponsoring certified programs on forms prescribed by the department.
- (2) Investigate each applicant to determine the suitability of the applicant to sponsor a certified program.
- (3) Impose an application fee in an amount sufficient to pay the costs incurred in processing the application and investigating the applicant.

(b) The department may adopt rules under IC 4-22-2 to administer this chapter.

Sec. 6. (a) The department of education shall review the



secondary school curriculum component of each proposed certified program. The department may not approve a proposed certified program unless the department of education approves the applicant's proposed secondary school curriculum.

(b) Upon the request of the department, the department of education shall:

(1) consult with the department before the adoption of rules under section 5 of this chapter; and

(2) provide any other assistance to the department.

Sec. 7. The department may not approve a certified program unless the following requirements are met:

(1) The program must be conducted under an organized, written plan embodying the terms and conditions of employment, job training, classroom instruction, and supervision of one (1) or more participants, subscribed to by a sponsor who has undertaken to carry out the certified program.

(2) The program must comply with all state and federal laws pertaining to the workplace.

(3) The certified program agreement must provide that the sponsor or an employer participating in the program in cooperation with the sponsor agrees to assign an employee to serve as a mentor for a participant. The mentor's occupation must be in the same career pathway as the career interests of the participant.

(4) The program must comply with any other requirement adopted by rule by the department.

Sec. 8. (a) A certified program must comply with the terms of a written agreement among the sponsor, each participant, and each cooperating employer. Except as provided in sections 9 and 10 of this chapter, each agreement must contain the following:

(1) The names and signatures of:

(A) the sponsor;

(B) the employer (if the employer is an entity other than the sponsor); and

(C) the participant and the participant's parent or guardian if the participant is a minor.

(2) A description of the career field in which the participant is to be trained and the beginning date and duration of the training.

(3) The employer's agreement to provide paid employment for the participant at a base wage which may not be less than the

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1 minimum wage prescribed by the federal Fair Labor
2 Standards Act during the participant's junior and senior
3 years in high school.

4 (4) The employer's agreement to assign an employee to serve
5 as a mentor for a participant. The mentor's occupation must
6 be in the same career pathway as the career interests of the
7 participant.

8 (5) An agreement between the participant and employer
9 concerning specified minimum academic standards that must
10 be maintained throughout the participant's secondary
11 education.

12 (6) The participant's agreement to work for the employer for
13 at least two (2) years following the completion of the
14 participant's secondary education.

15 (b) An agreement described in subsection (a)(6) may be
16 modified to defer the participant's employment with the employer
17 until after the participant completes an appropriate amount of
18 postsecondary education as agreed to by the participant and the
19 employer.

20 Sec. 9. (a) If a participant's desired career pathway requires
21 postsecondary education, an agreement required under section 8
22 of this chapter may be modified to include the following:

23 (1) The employer's agreement to provide paid employment for
24 the participant at a base wage which may not be less than the
25 minimum wage prescribed by the federal Fair Labor
26 Standards Act during the participant's postsecondary
27 education.

28 (2) An agreement that in addition to the base wage paid to the
29 participant, the employer shall pay an additional sum to be
30 held in trust to be applied toward the participant's
31 postsecondary education.

32 (3) The participant's agreement to work for the employer for
33 at least two (2) years following the completion of the
34 participant's postsecondary education.

35 (b) The additional amount described in subsection (a)(2) must
36 not be less than an amount determined by the department to be
37 sufficient to provide payment of tuition expenses toward
38 completion of not more than two (2) academic years at an
39 institution of higher learning. The amount shall be held in trust for
40 the benefit of the participant under rules adopted by the
41 department. Payment into a fund approved under the federal
42 Employee Retirement Income Security Act of 1974 for the benefit



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of the participant satisfies this requirement. The approved fund must be specified in the agreement.

Sec. 10. (a) If a participant enters a certified program following the completion of the participant's secondary education, the agreement required under section 8 of this chapter must be modified to include the following:

(1) The employer's agreement to provide paid employment for the participant at a base wage which may not be less than the minimum wage prescribed by the federal Fair Labor Standards Act during the participant's postsecondary education.

(2) An agreement that in addition to the base wage paid to the participant, the employer shall pay an additional sum to be applied toward the participant's postsecondary education. This amount may be paid directly to the participant's institution of higher learning on behalf of the participant.

(3) The participant's agreement to work for the employer for at least two (2) years following the completion of the participant's postsecondary education.

(b) The additional amount described in subsection (a)(2) must not be less than an amount determined by the department to be sufficient to provide payment of tuition expenses toward completion of not more than two (2) academic years at an institution of higher learning.

Sec. 11. If a participant does not complete the certified program contemplated by the agreement before entering a postsecondary education program, the money being held in trust for the participant's postsecondary education shall be paid back to the employer.

Sec. 12. If a participant does not complete the certified program contemplated by an agreement described in section 8, 9, or 10 of this chapter after entering a postsecondary education program, any unexpended funds being held in trust for the participant's postsecondary education shall be paid back to the employer. In addition, the participant must repay to the employer amounts paid from the trust that were expended on the participant's behalf for the participant's postsecondary education.

Sec. 13. If a participant does not complete the two (2) year employment obligation required under an agreement described in section 8, 9, or 10 of this chapter, the participant shall repay to the employer the amount paid by the employer toward the participant's postsecondary education expenses under this chapter.



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SECTION 22. IC 22-4.1-9 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]:

Chapter 9. Smart Partnership Grants

Sec. 1. The department shall establish guidelines for making grants to the Indiana schools smart partnership, which is established to create partnerships between schools and local businesses to make the curriculum of math and science relevant to the students.

Sec. 2. The total amount of grants awarded under this chapter in a state fiscal year may not exceed five percent (5%) of the amount in the state technology advancement and retention account established by IC 4-12-11-1.

Sec. 3. The department may make grants to coordinating organizations and participating schools.

SECTION 23. [EFFECTIVE UPON PASSAGE] (a) Notwithstanding IC 4-12-10, for the period beginning July 1, 2003, and ending June 30, 2005, grants of two hundred thousand dollars (\$200,000) shall be made to:

(1) East Central Indiana technology transfer program administered by Ball State University; and

(2) Southwestern Indiana technology transfer program administered by the University of Southern Indiana;

for their use in establishing and operating technology talent programs.

(b) This SECTION expires December 31, 2005.

SECTION 24. [EFFECTIVE JULY 1, 2003] The credit against a taxpayer's state tax liability provided under IC 6-3.1-25, as added by this act, applies to taxable years beginning after December 31, 2004.

SECTION 25. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "department" refers to the department of workforce development.

(b) Notwithstanding IC 22-4.1-7-7, as added by this act, the department, in consultation with the department of education, shall adopt rules to implement IC 22-4.1-7, as added by this act, in the same manner as emergency rules are adopted under IC 4-22-2-37.1. Any rules adopted under this SECTION must be adopted not later than September 1, 2003. A rule adopted under this SECTION expires on the earlier of:

(1) the date a rule is adopted by the department, in consultation with the department of education, under



1 IC 4-22-2-24 through IC 4-22-2-36 to implement IC 22-4.1-7,
2 as added by this act; or

3 (2) January 1, 2006.

4 (c) Notwithstanding IC 6-3.1-25-9, as added by this act, the
5 department may:

6 (1) certify an internship program under IC 22-4.1-7, as added
7 by this act, with respect to which a taxpayer wishes to claim
8 a credit under IC 6-3.1-25-9, as added by this act, for payroll
9 expenditures made during a taxable year beginning before
10 January 1, 2005, to a student participating in the internship
11 program; and

12 (2) make the certification of the internship program under
13 IC 22-4.1-7, as added by this act, effective as of a date before
14 January 1, 2005.

15 (d) This SECTION expires December 31, 2006.

16 SECTION 26. [EFFECTIVE JULY 1, 2003] (a) The legislative
17 council shall assign the clean manufacturing tax credit established
18 under IC 6-3.1-28, as added by this act, for audit and evaluation
19 under IC 2-5-21 during 2007.

20 (b) This SECTION expires July 1, 2008.

21 SECTION 27. [EFFECTIVE JULY 1, 2003] (a) The clean
22 manufacturing income tax credit board established by
23 IC 6-3.1-20-13, as added by this act, may not take action under
24 IC 6-3.1-20, as added by this act, before January 1, 2005.

25 (b) A taxpayer is entitled to a tax credit under IC 6-3.1-20, as
26 added by this act, for either:

27 (1) a qualified material substitution expense; or

28 (2) a qualified clean manufacturing investment;

29 or both, only to the extent that the qualified material substitution
30 expense is incurred after December 31, 2004, or the qualified clean
31 manufacturing investment is made after December 31, 2004.

32 SECTION 28. An emergency is declared for this act.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Technology, Research and Development, to which was referred House Bill 1789, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete the title and insert the following:

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

Page 1, between the enacting clause and line 1, begin a new paragraph and insert the following:

"SECTION 1. IC 4-4-30-8, AS ADDED BY P.L.159-2002, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 8. (a) The coal technology research fund is established to provide money for the center for coal technology research and for the director to carry out the duties specified under this chapter. The budget agency shall administer the fund.

(b) The fund consists of the following:

(1) Money appropriated **or otherwise designated** by the general assembly.

(2) Gifts, grants, and bequests.

(c) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as the treasurer may invest other public funds.

(d) Money in the fund at the end of a state fiscal year does not revert to the state general fund."

Page 1, line 8, after "companies" insert **"to support access to technology for existing businesses"**.

Page 2, line 5, delete "fifteen percent (15%)" and insert **"twenty-five percent (25%)"**.

Page 2, between lines 12 and 13, begin a new paragraph and insert:

"(f) Money deposited in the fund under subsection (c) shall be distributed as follows:

(1) Fifty percent (50%) for grants under subsection (a)(1).

(2) Ten percent (10%) for grants under subsection (a)(2).

(3) Twenty percent (20%) for grants under subsection (a)(3).

(4) Ten percent (10%) for grants under subsection (a)(4).

(5) Ten percent (10%) for grants under subsection (a)(5).

SECTION 2. IC 4-12-10-4, AS ADDED BY P.L.26-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 4. (a) The budget agency, after review by the budget committee, shall **enter into an agreement with the department of commerce** to do the following:

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- (1) Review, prioritize, and approve or disapprove proposals for centers.
- (2) Create detailed application procedures and selection criteria for center proposals. These criteria may include the following:
 - (A) Geographical proximity to and partnership agreement with an Indiana public or private university.
 - (B) Proposed local contributions to the center.
 - (C) Minimum standards and features for the physical facilities of a center, including telecommunications infrastructure.
 - (D) The minimum support services, both technical and financial, that must be provided by the centers.
 - (E) Guidelines for selecting entities that may participate in the center.
- (3) Develop performance measures and reporting requirements for the centers.
- (4) Monitor the effectiveness of each center and report its findings to the governor, **the budget agency**, and the budget committee before October 1 of each even-numbered year.
- ~~(5) Contract with Purdue University for any staff support necessary for the budget agency to carry out this chapter.~~
- ~~(6)~~ **(5)** Approve a regional technology center only if the center agrees to do all of the following:
 - (A) Nurture the development and expansion of high technology ventures that have the potential to become high growth businesses.
 - (B) Increase high technology employment in Indiana.
 - (C) Stimulate the flow of new venture capital necessary to support the growth of high technology businesses in Indiana.
 - (D) Expand workforce education and training for highly skilled, high technology jobs.
 - (E) Affiliate with an Indiana public or private university and be located in close proximity to a university campus.
 - (F) Be a party to a written agreement among:
 - (i) the affiliated university;
 - (ii) the city or town in which the proposed center is located, or the county in which the proposed center is located if the center is not located in a city or town;
 - (iii) Purdue University, for technical and personnel training support; and
 - (iv) any other affiliated entities;
 that outlines the responsibilities of each party.
 - (G) Establish a debt free physical structure designed to

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accommodate research and technology ventures.

(H) Provide support services, including business planning, management recruitment, legal services, securing of seed capital marketing, and mentor identification.

(I) Establish a commitment of local resources that is at least equal to the money provided from the fund for the physical facilities of the center.

(b) The ~~budget agency~~ **department of commerce** may not approve more than five (5) regional technology centers in any biennium.

(c) The budget agency shall contract with Purdue University:

(1) for any support staff necessary for the budget agency to provide grants under section 3(a)(3) and 3(a)(4) of this chapter; and

(2) to provide services under section 7 of this chapter.

SECTION 3. IC 4-12-10-6, AS ADDED BY P.L.26-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 6. (a) If a center is approved by the ~~budget agency~~, **department of commerce**, the budget agency shall allocate from available appropriations the money authorized to:

(1) subsidize construction or rehabilitation of the physical facilities; and

(2) cover operating costs, not to exceed two hundred fifty thousand dollars (\$250,000) each year, until the center is self-sustaining or has identified another source of operating money or the amount appropriated for this purpose is exhausted.

(b) Operating costs may not be supported by the fund for any center for more than four (4) years."

Page 2, line 18, delete "The budget".

Page 2, line 19, delete "agency shall administer the account."

Page 2, line 27, delete "collected from vending" and insert **"designated under IC 6-2.5-7.5-11"**.

Page 2, line 28, delete "machine items under IC 6-2.5-7.5".

Page 2, line 36, delete "appropriated" and insert **"dedicated"**.

Page 2, line 38, delete "Thirty-five percent (35%)" and insert **"Twenty-three percent (23%)"**.

Page 2, line 40, delete "IC 22-4.1-7;" and insert **"IC 22-4.1-8."**

Page 2, line 41, delete "Ten percent (10%)" and insert **"Nine percent (9%)"**.

Page 2, line 42, delete ";" and insert ".".

Page 3, line 1, delete "Fifteen percent (15%)" and insert **"Twenty-five percent (25%)"**.

Page 3, line 2, delete ";" and insert ".".



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Page 3, line 3, delete "Ten percent (10%)" and insert "**Nine percent (9%)**".

Page 3, line 4, delete ";" and insert ".".

Page 3, line 5, delete "Fifteen percent (15%)" and insert "**Nine percent (9%)**".

Page 3, line 6, delete ";" and insert ".".

Page 3, line 8, delete "; and" and insert ".".

Page 3, line 10, delete "IC 20-10.1-25.4." and insert "**IC 22-4.1-9**".

Page 3, between lines 10 and 11, begin a new line block indented and insert:

"(8) Five percent (5%) to fund the scientific instrument project within the department of education.

(9) Three percent (3%) to fund the clean manufacturing income tax credit under IC 6-3.1-28.

(10) Two percent (2%) to fund the coal technology research fund under IC 4-4-30-8."

Page 3, delete lines 18 through 22, begin a new paragraph and insert:

"SECTION 3. IC 6-1.1-3-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 8. (a) The owner of a vending machine shall place on the face of the machine an ~~identification~~ **identification** device ~~which that~~:

(1) is at least two (2) inches by three (3) inches; and

(2) accurately reveals the following information:

(A) The owner's name and address. and he

(B) The following information about the retail merchant who is liable for collecting state gross retail tax on the sale of tangible personal property through the vending machine:

(i) Name.

(ii) Address.

(iii) Telephone number.

(iv) All the retail merchant's certificate numbers.

(b) The owner shall include the vending machine in his the owner's annual personal property return.

(b) (c) If an owner intentionally fails to display an identification device on a vending machine under this section, the department of state revenue may do either or both of the following:

(1) Seize and confiscate the vending machine.

(2) Impose a civil penalty of not less than one thousand dollars (\$1,000) and not more than two thousand dollars (\$2,000).

Each vending machine on which an owner intentionally fails to

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display an identification device constitutes a separate offense for purposes of this subsection.

(d) For purposes of this section, the term "vending machine" means a machine which dispenses goods, wares, or merchandise when a coin is deposited in it and which by automatic action can physically deliver goods, wares, or merchandise to the depositor of the coin. has the meaning set forth in IC 6-2.5-7.5-4."

Page 3, between lines 34 and 35, begin a new paragraph and insert:
"SECTION 5. IC 6-2.5-6-10, AS AMENDED BY P.L.192-2002(ss), SECTION 62, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 10. (a) In order to compensate retail merchants for collecting and timely remitting the state gross retail tax and the state use tax, every retail merchant, except a retail merchant referred to in subsection (c), is entitled to deduct and retain from the amount of those taxes otherwise required to be remitted under IC 6-2.5-7-5, IC 6-2.5-7.5-7, or under this chapter, if timely remitted, a retail merchant's collection allowance.

(b) The allowance equals eighty-three hundredths percent (0.83%) of the retail merchant's state gross retail and use tax liability accrued during a reporting period.

(c) A retail merchant described in IC 6-2.5-4-5 or IC 6-2.5-4-6 is not entitled to the allowance provided by this section."

Page 3, line 37, delete "UPON PASSAGE]" and insert "JULY 1, 2003]:".

Page 3, delete lines 40 through 42, begin a new paragraph and insert:

"Sec. 1. This chapter applies only to retail transactions involving tangible personal property, other than:

- (1) cigarettes (as defined in IC 6-7-1-2); or**
- (2) cigars and other tobacco products (as defined in IC 6-7-2-5);**

acquired for resale from a vending machine or sold from a vending machine.

Sec. 2. As used in this chapter, "gross receipts" means the product of:

- (1) the net invoice price paid during a reporting period by a vending machine operator; multiplied by**
- (2) one hundred twenty percent (120%).**

Sec. 3. As used in this chapter, "net invoice price" means the difference between:

- (1) the cost, including freight, of tangible personal property acquired for resale from a vending machine or sold from a**

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vending machine; minus

(2) any timely payment discount.

Sec. 4. As used in this chapter, "vending machine" means a mechanical or electronic device or a receptacle designed to:

(1) receive a coin or currency; and

(2) dispense tangible personal property in return for the insertion or deposit of the coin or currency.

Sec. 5. As used in this chapter, "vending machine operator" means a retail merchant who is liable for collecting state gross retail tax on the sale of tangible personal property through a vending machine.

Sec. 6. This chapter applies to taxable years beginning after December 31, 2003.

Sec. 7. A vending machine operator shall pay to the department the state gross retail tax collectible from retail transactions involving the sale of tangible personal property through a vending machine.

Sec. 8. The amount that a vending machine operator shall pay to the department for a particular reporting period is the amount equal to the product of:

(1) six percent (6%); multiplied by

(2) the gross receipts of the vending machine operator for the reporting period.

Sec. 9. The amount determined under section 8 of this chapter is a vending machine operator's state gross retail tax liability regardless of the amount of state gross retail tax the vending machine operator actually collects.

Sec. 10. No allowance for spoiled, damaged, or otherwise unsold tangible personal property shall be allowed against a vending machine operator's state gross retail tax liability, other than for returns by the vending machine operator to the distributor that are evidenced by an invoice credit or other written indication that the distributor has received the tangible personal property and credited or refunded the amount of the gross receipts paid or payable for the tangible personal property.

Sec. 11. The department shall account for all state gross retail taxes that are prepaid under this chapter as follows:

(1) The department shall designate an amount equal to the difference between:

(A) the amount paid during a reporting period under this chapter; minus

(B) the product of:

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- (i) the amount of taxes collected on retail transactions involving the sale of tangible personal property through a vending machine during the same reporting period in the calendar year beginning January 1, 2002, and ending December 31, 2002; multiplied by
- (ii) the most current inflation adjustment factor, as determined by the Consumer Price Index for all Urban Consumers, as published by the United States Bureau of Labor Statistics;

to the state technology advancement and retention account under IC 4-12-11-1.

(2) The department shall deposit the remainder according to IC 6-2.5-10-1.

Sec. 12. A vending machine operator shall file a return for each reporting period and pay the state gross retail tax liability for that reporting period in the manner and on a form prescribed by the department.

Sec. 13. The department may adopt rules under IC 4-22-2 to implement this chapter.

SECTION 6. IC 6-2.5-8-12 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 12.** (a) This section applies to a person that owns or operates a vending machine (as defined in IC 6-2.5-7.5-4).

(b) Not later than August 15 of each year, each person shall submit the following information to the department on a form prescribed by the department:

- (1) The person's name.
- (2) The person's business address.
- (3) The person's business telephone number.
- (4) All Indiana addresses at which the person maintains business offices.
- (5) If the person is a corporation or other business entity, the name of an officer or director on whom legal process may be served.
- (6) An approximate number of the person's vending machines that are owned or operated in Indiana.
- (7) The name of all retail merchants who are liable for collecting state gross retail tax on the sale of tangible personal property through the person's vending machines.
- (8) Any other information the department determines is necessary."

Delete page 4.



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Page 5, delete lines 1 through 15.

Page 5, delete line 18 and insert "JULY 1, 2003]:".

Page 6, line 9, after "(a)" insert **"This chapter applies to taxable years beginning after December 31, 2003.**

(b)".

Page 6, line 17, delete "(b)" and insert "(c)".

Page 6, line 20, delete "(a)" and insert "(b)".

Page 6, line 22, delete "9(b)" and insert **"9(c)".**

Page 7, line 12, delete "ten percent (10%)" and insert **"nine percent (9%)"**.

Page 7, line 24, delete "JANUARY 1, 2004]:" and insert "JULY 1, 2003]:".

Page 7, line 29, delete "IC 22-4.1-8-4." and insert **"IC 22-4.1-8-3."**

Page 8, line 16, delete "two (2)" and insert **"three (3)".**

Page 9, line 24, delete "thirty-five" and insert **"twenty-three"**.

Page 9, line 25, delete "(35%)" and insert **"(23%)"**.

Page 9, between lines 26 and 27, begin a new paragraph and insert:
"SECTION 8. IC 6-3.1-28 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]:

Chapter 28. Clean Manufacturing Income Tax Credit

Sec. 1. As used in this chapter, "board" refers to the clean manufacturing income tax credit board established by section 13 of this chapter.

Sec. 2. As used in this chapter, "clean manufacturing" has the meaning set forth in IC 13-11-2-27.6.

Sec. 3. As used in this chapter, "clean manufacturing investment" means an expenditure for any of the following:

(1) Production process redesign (as defined in IC 13-27.5-3-2(2)(C)).

(2) Operational improvement (as defined in IC 13-27.5-3-2(2)(D)).

Sec. 4. As used in this chapter, "environmental waste" has the meaning set forth in IC 13-11-2-72.

Sec. 5. As used in this chapter, "institute" refers to the Indiana clean manufacturing technology and safe materials institute established under IC 13-27.5-2.

Sec. 6. As used in this chapter, "manufacturing facility" means a facility of a manufacturer (as defined in IC 13-11-2-126(b)).

Sec. 7. As used in this chapter, "material substitution" means:

(1) an input change (as defined in IC 13-27.5-3-2(2)(A)); or

(2) a product reformulation (as defined in

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IC 13-27.5-3-2(2)(B)).

Sec. 8. As used in this chapter, "pass through entity" means:

- (1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
- (2) a partnership;
- (3) a limited liability company; or
- (4) a limited liability partnership.

Sec. 9. As used in this chapter, "SIC manual" has the meaning set forth in IC 6-3.1-10-2.5.

Sec. 10. As used in this chapter, "state tax liability" means the taxpayer's total tax liability that is incurred under IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax) as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 11. As used in this chapter, "taxpayer" means any individual, corporation, limited liability company, partnership, or other entity that:

- (1) has any state tax liability; and
- (2) operates at least one (1) manufacturing facility in Indiana under standard industrial classification codes 20 through 39 in the SIC manual.

Sec. 12. (a) As used in this chapter, "toxic material" has the meaning set forth in IC 13-11-2-233.

(b) For purposes of this chapter, the list of toxic materials may be updated periodically by the institute in consultation with the commissioner of the department of environmental management based on information provided by:

- (1) the United States Environmental Protection Agency;
- (2) a professional industrial hygiene association; or
- (3) the United States Occupational Safety and Health Administration.

Sec. 13. (a) The clean manufacturing income tax credit board is established. The board consists of the following six (6) members:

- (1) The director of the institute or the director's designee.
- (2) The commissioner of the department of environmental management or the commissioner's designee.
- (3) The director of the department of commerce or the director's designee.
- (4) The director of the budget agency or the director's designee.
- (5) The commissioner of the department of state revenue or the commissioner's designee.



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(6) The chairperson of the clean manufacturing technology board or the chairperson's designee.

(b) The director of the department of commerce or the director's designee shall serve as chairperson of the board. Four (4) members of the board constitute a quorum to transact and vote on the business of the board. The board may take official action upon the affirmative vote of a majority of the members present and voting.

(c) The institute shall assist the board in carrying out the board's duties under this chapter.

(d) Each member of the board is entitled to reimbursement for traveling expenses as provided in IC 4-13-1-4 and other expenses actually incurred in connection with the member's duties as provided in the state policies and procedures established by the Indiana department of administration and approved by the budget agency.

Sec. 14. The board may make credit awards under this chapter to foster clean manufacturing at manufacturing facilities in Indiana.

Sec. 15. (a) Subject to the conditions set forth in this chapter, a taxpayer is entitled to a credit against the taxpayer's state tax liability in a taxable year beginning after December 31, 2003, if the taxpayer is awarded a credit by the board under this chapter for the taxable year in which the institute verifies either or both of the following:

- (1) A qualified material substitution expense.
- (2) A qualified clean manufacturing investment.

(b) Subject to sections 20(5) and 21(8) of this chapter, a credit awarded to a taxpayer under subsection (a) is limited to one (1) qualified material substitution expense and one (1) qualified clean manufacturing investment for each taxable year.

(c) The taxpayer must certify that a material substitution expense or a clean manufacturing investment for which a credit is awarded to a taxpayer under subsection (a) is:

- (1) initiated voluntarily by the taxpayer; and
- (2) not the result of an enforcement action, a negotiated settlement, or an order of a federal or state agency or court.

Sec. 16. (a) The maximum amount of the material substitution expense credit to which a taxpayer is entitled in a taxable year is equal to:

- (1) the certified additional cost of purchasing a qualified material that is substituted for a toxic material; multiplied by

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(2) thirty percent (30%).

(b) The maximum amount of the clean manufacturing investment credit to which a taxpayer is entitled in a taxable year is equal to the amount determined under STEP THREE of the following formula:

STEP ONE: Determine the certified cost of the qualified clean manufacturing investment.

STEP TWO: Multiply the STEP ONE amount by thirty percent (30%).

STEP THREE: Multiply the STEP TWO result by one (1) of the following, as specified by the taxpayer:

(A) The certified percentage by which the use of a toxic material is reduced by means of the clean manufacturing investment.

(B) The certified percentage by which the generation of an environmental waste is reduced by means of the clean manufacturing investment.

The taxpayer is eligible for the credit in the taxable year in which the production process redesign or operational improvement that forms the basis of the clean manufacturing investment first produces verifiable reductions in the use of toxic materials or the generation of environmental waste.

Sec. 17. (a) Except as provided in subsection (b), a taxpayer is not entitled to carry forward, carry back, or a refund of an unused credit.

(b) If the amount of a clean manufacturing investment credit or a material substitution expense credit for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over to not more than two (2) taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for a subsequent taxable year.

Sec. 18. If a pass through entity does not have state income tax liability against which the tax credit may be applied, a shareholder or partner of the pass through entity is entitled to a tax credit equal to:

(1) the tax credit determined for the pass through entity for the taxable year; multiplied by

(2) the percentage of the pass through entity's distributive income to which the shareholder or partner is entitled.

Sec. 19. To be entitled to a credit under this chapter, a taxpayer

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must do the following:

- (1) Make an expenditure for a qualifying activity.
- (2) Request that the board certify:
 - (A) the eligibility of the taxpayer for the credit;
 - (B) a description of the activity or expense that is eligible for the credit;
 - (C) the amount of the expenditure that is eligible for the credit; and
 - (D) for a clean manufacturing investment credit, the percentage of:
 - (i) environmental waste; or
 - (ii) a toxic material;
 reduced by means of the clean manufacturing investment; on forms and in the manner provided by this chapter.
- (3) Claim the credit under section 22 of this chapter.
- (4) Be allotted a share of the maximum statewide credit under section 24 of this chapter.
- (5) Pay the institute an administrative fee established by the institute.

Sec. 20. The board shall certify that a taxpayer's expenditure is a qualified material substitution expense if the board determines that:

- (1) before making the material substitution, the taxpayer obtained a verification from the institute that:
 - (A) the material substitution is nontoxic or less toxic than the toxic material;
 - (B) the expenditure will reduce the use of the toxic material based on a measurement of the toxicity and amount of the toxic material reduced per unit of production under IC 13-27.5-2-5(c)(4) and IC 13-27.5-2-7 and in conformity with the guidelines established by the institute; and
 - (C) estimates the additional cost the taxpayer will incur to use a substitute material for the toxic material;
- (2) the taxpayer made expenditures for the material substitution;
- (3) the expenditures directly result from the additional costs of substituting a material for a toxic material in a specific production process at a manufacturing facility;
- (4) the taxpayer applies to the board for the credit certification on a form prescribed by the board in consultation with the institute;
- (5) the taxpayer has not received a certification under this



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section for the same material substitution project;

(6) the taxpayer pays the institute the administrative fee specified under section 19 of this chapter; and

(7) the taxpayer provides all information that the board, in consultation with the institute, determines is necessary for:

(A) the calculation of the qualified material substitution expense credit provided by this chapter; and

(B) the determination of whether an expenditure is a qualified material substitution expense.

Sec. 21. The board shall certify that a taxpayer's expenditure is a qualified clean manufacturing investment if the board determines that:

(1) before the taxpayer implements a production process redesign or an operational improvement, the taxpayer obtains a verification from the institute that:

(A) the expenditure will reduce the use of a toxic material or reduce an environmental waste;

(B) estimates the percentage of reduction in the use of a toxic material or generation of environmental waste by means of clean manufacturing that will result; and

(C) estimates the cost the taxpayer will incur to implement production process redesign or operational improvement that will reduce:

(i) the use of a toxic material; or

(ii) the generation of an environmental waste.

based on a measurement of the toxicity and amount of toxic material or environmental waste reduced per unit of production under IC 13-27.5-2-5(c)(4) and IC 13-27.5-2-7 and in conformity with the guidelines set by the institute;

(2) the taxpayer makes expenditures for the clean manufacturing investment;

(3) the expenditures directly result from the production process redesign or operational improvement that:

(A) are directly used in a specific production process at a manufacturing facility; and

(B) reduce by means of a clean manufacturing investment:

(i) the use of a toxic material; or

(ii) the generation of an environmental waste;

as determined under the guidelines developed by the institute, which shall be based on a measurement of the toxicity and amount of toxic material or environmental waste reduced per unit of production under IC 13-27.5-2-5(c)(4) and

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IC 13-27.5-2-7;

(4) the taxpayer applies to the board for the credit certification on a form prescribed by the board in consultation with the institute after equipment related to the production process redesign or operational improvement at a manufacturing facility has become operational;

(5) the institute verifies the qualified percentage by which the use of a toxic material or by which the generation of an environmental waste has been reduced at an industrial facility by means of a clean manufacturing investment;

(6) the taxpayer pays the institute the administrative fee specified under section 19 of this chapter;

(7) the taxpayer provides all information that the board, in consultation with the institute, determines is necessary for:

(A) the calculation of the clean manufacturing investment credit expense provided by this chapter; and

(B) the determination of whether an expenditure is a qualified clean manufacturing investment; and

(8) the taxpayer has not received a certification under this section for the same clean manufacturing investment.

Sec. 22. A taxpayer claiming a credit under this chapter shall submit to the department of state revenue a copy of the certification of credit by the board under this chapter for the taxable year. However, failure to submit a copy of the certification does not invalidate a claim for credit.

Sec. 23. The board may audit any of the information required under this chapter to claim a credit.

Sec. 24. (a) The amount of tax credits allowed under this chapter may not exceed:

(1) six hundred thousand dollars (\$600,000) in a state fiscal year; or

(2) twelve thousand dollars (\$12,000) in a taxable year for a single taxpayer.

(b) The board shall record the time of filing of each application for allowance of a credit under this chapter and shall approve the applications, if the applications otherwise qualify for a tax credit under this chapter, in the chronological order in which the applications are filed in the state fiscal year.

(c) When the total credits approved under this section equal the maximum amount allowable in a state fiscal year, an application thereafter filed for that same fiscal year may not be approved. However, if an application is received by the board after the

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maximum allowable credits have been awarded for the state fiscal year, the board may review the application for credit in a subsequent state fiscal year up to the total maximum amount of the credit allowable. The review of applications for credit in a subsequent state fiscal year shall be made in the order in which the applications are received by the institute."

Page 9, line 37, after "IC 22-1-1-1" insert ",".

Page 9, line 40, delete "is" and insert "are".

Page 10, line 4, delete "fifteen percent (15%)" and insert "nine percent (9%)".

Page 10, delete lines 7 through 19.

Page 12, line 14, after "(a)" insert "For purposes of this section, 'minority student' means a student who is a member of one (1) or more of the following groups:

- (1) blacks;
- (2) American Indians;
- (3) Hispanics;
- (4) Asian Americans; or
- (5) other similar racial groups.

(b)".

Page 12, line 16, delete "for programs designed" and insert "as follows:

- (1) Thirty-five percent (35%) for programs designed to enhance training in technology advancement for minority students.
- (2) Sixty-five percent (65%) for generalized training programs for minority students."

Page 12, delete lines 17 through 18.

Page 12, line 19, delete "(b)" and insert "(c)".

Page 12, delete lines 21 through 23, begin a new paragraph and insert:

"(d) The total amount of grants awarded under this section in a state fiscal year may not exceed nine percent (9%) of the amount in the state technology advancement and retention account established by IC 4-12-11-1."

Page 12, delete line 35, begin a new paragraph and insert:

"(c) The total amount of grants and contracts awarded under this section in a state fiscal year may not exceed".

Page 14, delete lines 24 through 25.

Page 14, line 26, delete "3." and insert "2."

Page 14, line 28, delete "4." and insert "3."

Page 14, line 36, delete "5." and insert "4."

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Page 14, line 40, delete "6." and insert "5."
 Page 15, line 8, delete "7." and insert "6."
 Page 15, line 16, delete "6" and insert "5".
 Page 15, line 18, delete "8." and insert "7."
 Page 15, line 36, delete "9." and insert "8."
 Page 15, line 38, delete "10 and 11" and insert "9 and 10".
 Page 16, line 28, delete "10." and insert "9".
 Page 16, line 29, delete "9" and insert "8".
 Page 17, line 11, delete "11." and insert "10".
 Page 17, line 13, delete "9" and insert "8".
 Page 17, line 33, delete "12." and insert "11".
 Page 17, line 38, delete "13." and insert "12".
 Page 17, line 39, delete "9, 10, or 11" and insert "8, 9, or 10".
 Page 18, line 4, delete "14." and insert "13".
 Page 18, line 6, delete "9, 10, or 11" and insert "8, 9, or 10".
 Page 18, between lines 8 and 9, begin a new paragraph and insert:
 "SECTION 17. IC 22-4.1-9 IS ADDED TO THE INDIANA CODE
 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 JULY 1, 2003]:

Chapter 9. Smart Partnership Grants

Sec. 1. The department shall establish guidelines for making grants to the Indiana schools smart partnership, which is established to create partnerships between schools and local businesses to make the curriculum of math and science relevant to the students.

Sec. 2. The total amount of grants awarded under this chapter in a state fiscal year may not exceed five percent (5%) of the amount in the state technology advancement and retention account established by IC 4-12-11-1.

Sec. 3. The department may make grants to coordinating organizations and participating schools."

Page 18, line 13, delete "program;" and insert "**program administered by Ball State University;**".

Page 18, line 14, delete "program;" and insert "**program administered by the University of Southern Indiana;**".

Page 18, line 18, delete "JANUARY" and insert "JULY".

Page 18, line 19, delete "(RETROACTIVE)".

Run in lines 18 and 19.

Page 18, line 21, delete "2002." and insert "**2003.**".

Page 19, between lines 6 and 7, begin a new paragraph and insert:
 "SECTION 20. [EFFECTIVE JULY 1, 2003] (a) **The legislative council shall assign the clean manufacturing tax credit established**

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under IC 6-3.1-28, as added by this act, for audit and evaluation under IC 2-5-21 during 2007.

(b) This SECTION expires July 1, 2008.

SECTION 21. [EFFECTIVE JULY 1, 2003] **(a) The clean manufacturing income tax credit board established by IC 6-3.1-20-13, as added by this act, may not take action under IC 6-3.1-20, as added by this act, before January 1, 2004.**

(b) A taxpayer is entitled to a tax credit under IC 6-3.1-20, as added by this act, for either:

(1) a qualified material substitution expense; or

(2) a qualified clean manufacturing investment;

or both, only to the extent that the qualified material substitution expense is incurred after December 31, 2003, or the qualified clean manufacturing investment is made after December 31, 2003."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1789 as introduced.)

HASLER, Chair

Committee Vote: yeas 13, nays 0.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1789, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 5, line 9, delete "Twenty-three percent (23%)" and insert **"Twenty percent (20%)"**.

Page 5, line 12, delete "Nine percent (9%)" and insert **"Seven percent (7%)"**.

Page 5, line 16, delete "Nine percent (9%)" and insert **"Seven percent (7%)"**.

Page 5, line 18, delete "Nine percent (9%)" and insert **"Six percent (6%)"**.

Page 5, between line 29 and 30, begin a new line block indented and insert:

"(11) Ten percent (10%) to fund the operational expenses of the minority epidemiology resource center within the Indiana minority health coalition. Money dedicated under this subdivision must be used to do the following:

(A) Research and provide health data concerning minority populations in Indiana.

(B) Provide technical assistance to the state department of health and the office of the secretary of family and social services to:

(i) address the elimination of health disparities among minorities; and

(ii) evaluate health programs focused on minorities."

Page 6, line 7, delete "Address." and insert **"An identifier designated by the department that is unique to the retail merchant. An identifier under this item includes a universal product code (UPC)."**

Page 7, line 26, delete "twenty" and insert **"fifty"**.

Page 7, line 26, delete "(120%)." and insert **"(150%)."**

Page 8, line 26, delete "The" and insert **"Beginning July 1, 2004, the"**.

Page 8, line 26, after "to" insert **"the lesser of twenty million dollars (\$20,000,000) or"**.

Page 8, delete lines 31 through 35, begin a new paragraph triple block indented and insert:

"(i) the gross retail income received by a vending machine operator from retail transactions involving the sale of tangible personal property through a vending



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machine during the same reporting period in the calendar year beginning January 1, 2002, and ending December 31, 2002, multiplied by six percent (6%); multiplied by".

Page 9, between lines 5 and 6, begin a new paragraph and insert:

"Sec. 13. A distributor that knowingly sells or otherwise distributes tangible personal property to one (1) or more vending machine operators during a reporting period shall submit a report concerning the transactions for the period to the department in the manner and on a form prescribed by the department. A report under this section must include the following:

- (1) The total gross retail income received from each vending machine operator during the reporting period.**
- (2) The retail merchant certificate number of each vending machine operator to whom the distributor sold or otherwise distributed tangible person property during the reporting period.**
- (3) Any other information the department reasonably requires."**

Page 9, line 6, delete "13." and insert "**14.**".

Page 10, line 24, delete "2003." and insert "**2004.**".

Page 11, line 28, delete "nine percent (9%)" and insert "**seven percent (7%)**".

Page 13, line 40, delete "twenty-three" and insert "**twenty**".

Page 13, line 41, delete "(23%)" and insert "**(20%)**".

Page 16, line 5, delete "2003," and insert "**2004,**".

Page 20, delete lines 11 through 16, begin a new paragraph and insert:

"Sec. 24. (a) The amount of a tax credit for a single taxpayer allowed under this chapter may not exceed twelve thousand dollars (\$12,000) in a taxable year.

(b) The total amount of tax credits approved under this chapter in a state fiscal year may not exceed three percent (3%) of the amount in the state technology advancement and retention account established by IC 4-12-11-1."

Page 20, line 17, delete "(b)" and insert "**(c)**".

Page 20, line 22, delete "(c)" and insert "**(d)**".

Page 21, line 9, delete "nine percent (9%)" and insert "**six percent (6%)**".

Page 23, line 25, delete "nine percent (9%)" and insert "**seven percent (7%)**".

Page 29, delete line 41 and insert "**2004.**".



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Page 30, line 14, delete "2005." and insert "**2006.**".

Page 30, line 21, delete "2004," and insert "**2005,**".

Page 30, line 25, delete "2004." and insert "**2005.**".

Page 30, line 26, delete "2005." and insert "**2006.**".

Page 30, line 35, delete "2004." and insert "**2005.**".

Page 30, line 41, delete "2003," and insert "**2004,**".

Page 30, line 42, delete "2003." and insert "**2004.**".

and when so amended that said bill do pass.

(Reference is to HB 1789 as printed February 18, 2003.)

CRAWFORD, Chair

Committee Vote: yeas 17, nays 6.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Economic Development and Technology, to which was referred House Bill No. 1789, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS and be reassigned to the Senate Committee on Finance.

(Reference is made to House Bill 1789 as printed February 27, 2003.)

FORD, Chairperson

Committee Vote: Yeas 6, Nays 0.

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